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IMPLEMENTATION OF THE BALANCED SCORECARD (PELAKSANAAN KAD SKOR BERIMBANG)

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Abstract: The balanced scorecard (BSC) was introduced by Kaplan and Norton in 1992 as a result of a comprehensive study over a period of one year involving twelve companies which were deemed to be at the leading edge in performance measurement. Since then, the BSC has been regarded as an important managerial tool that enables a firm to translate its vision and mission into objectives and performance measures which are measurable. Though it has been around for almost two decades, its implementation, especially in Malaysia, is limited. This paper attempts to document a case study of a successful implementation of the BSC involving a Malaysian firm. The results show that the company spent a substantial amount of resources to train its staffs, create awareness, revisit strategies, and develop scorecards at the company, department and individual levels. To ensure the success of the project, the company formed a BSC steering committee, conducted education programmes and purchased BSC software. It was noted that the BSC assisted employees in clarifying what they should do in relation to the firm's objectives and it helped to align the individual and department effort to the overall corporate mission and vision.

KEYWORDS: Balanced scorecard, performance measurement, key performance indicators, Malaysia

Abstrak: Kad Skor Berimbang (Balance Scorecard) telah diperkenalkan oleh Kaplan dan Norton dalam tahun 1992 hasil dari sebuah kajian komprehensif selama setahun ke atas dua belas buah syarikat yang terbukti terkehadapan dalam sistem penilaian prestasi di dalam syarikat masing-masing. Sejak itu, Kad Skor Berimbang dilihat sebagai satu alat pengurusan yang penting yang mampu untuk menterjemah visi dan misi sesebuah syarikat ke dalam objektif dan petunjuk-petunjuk pencapaian yang boleh diukur bagi tujuan pemantauan pencapaian. Sungguhpun Kad Skor Berimbang telah diwujudkan sejak dua dekad yang lalu, namun penggunaannya di Malaysia adalah terhad. Kajian ini mencuba untuk mendokumenkan sebuah kajian kes terhadap sebuah syarikat di Malaysia yang telah berjaya melaksanakan Kad Skor Berimbang. Dapatan kajian menunjukkan bahawa syarikat berkenaan membelanjakan sumber kewangan yang besar untuk melatih kakitangan, mewujudkan kesedaran, menilai semula strategi syarikat dan membangunkan Kad Skor Berimbang di peringkat syarikat, jabatan dan individu. Untuk memastikan kejayaan projek berkenaan, syarikat telah menubuhkan sebuah pasukan pemandu untuk mengimplementasikan Kad Skor Berimbang, menjalankan latihan-latihan kepada kakitangan dan membeli perisian Kad Skor Berimbang. Pemerhatian penyelidik-penyelidik mendapati Kad Skor Berimbang membantu kakitangan dalam memperjelaskan apa yang mereka perlu lakukan untuk mencapai objektif objektif syarikat dan seterusnya turut membantu dalam menyelaras usaha individu dan jabatan untuk mencapai visi dan misi korporat secara keseluruhan.

KATA KUNCI: Kad Skor Berimbang, pengukuran prestasi, petunjuk utama pencapaian, Malaysia

Introduction

The BSC emerged because the limitations of the traditional performance measurement system which focussed solely on the financial aspects to the extent of neglecting the non-financial measures. The BSC arose out of a one-year multi-company research project carried out by Norton and Kaplan in 1990. The study investigated 12 companies which were deemed to be at the leading edge in performance measurement. Kaplan and Norton publicised BSC back in 1992. To be successful in a competitive environment, it is recognised that a balanced set of performances were needed. The BSC is defined as a strategic management system that translates an organisation's mission and strategy into clear operational objectives, measures, targets and initiatives organised by four perspectives (Atkinson *et al.*, 2004). It directly links an organisation's performance measurement to its goals and objectives. French companies have already used the *Tableau de Bord*, a dashboard of key indicators, or key success factors of organisational success. This *Tableau de Bord* helps the employees to navigate the organisation.

BSC is capable of overcoming the problem of traditional performance measures that only feature financial orientation only and thus focusses on short-term performance. This is achieved with the inclusion of both lag and lead measures on four perspectives, i.e. financial, customer, process and infrastructure (or learning and growth). BSC is a powerful tool because it can be employed in conjunction with other management concepts or tools, for example Activity-based Costing (ABC), Total Quality Management (TQM), 6 Sigma, Key Performance Indicators (KPIs) and the compensation plans. In Malaysia, the number of companies using BSC is increasing steadily as it is suitable for both profit and non-profit-oriented companies. Recognising the importance of performance-based compensation, the Government has required all GLCs to implement performance-linked compensation since 2004. Thus, companies like Telekom Berhad, Tenaga

National Berhad and Golden Hope Plantation Berhad are implementing this or in the process of doing so.

This paper intends to discuss the BSC, namely its features and benefits. However, implementing BSC is not a straightforward exercise. Thus, to this end, this paper highlights the experience of implementing BSC in one Malaysian government agency. Primary data is sourced through an interview, telephone discussions and email communication with the relevant person in the organisation.

The remaining sections of this paper are structured as follows. First, a discussion on BSC will be presented. This will be followed on the case of successful implementation of BSC. Finally, conclusions are made.

Moving from Functional-based, to Activity-based to Strategic-based Responsibility Accounting

Responsibility accounting is vital as it spells out how responsibility is assigned, to whom and how the performance is measured and rewarded accordingly. It is a tool for managerial control. A responsibility accounting model helps to ensure that management of the centres will work towards achieving the organisation's goal. Responsibility accounting model is about performance measurement and performance management. Four elements in a responsibility accounting model are as follows: 1) assignment of responsibility, 2) establishment of performance measures, 3) evaluation of performance and 4) giving rewards. Traditionally, responsibility and thus rewards are assigned to centres or segments in an organisation. Thus, the centres are considered as a cost, revenue, profit or investment centre, i.e. functionally-based. Each of these centres is assigned with specific responsibilities and subsequently is evaluated on the achievement of the assigned responsibilities. The objective of a functionally-based responsibility accounting model is to control costs and its emphasis is on financial measures. This responsibility accounting model is suitable for organisations that operate in stable environment.

The recent shift of focus, in the 1990's, from a cost-control system to a learning and cost-management system has led to the development of activity-based responsibility accounting system. The heart of activity-based responsibility accounting system is continuous improvement on the processes. Compared to a functional-based responsibility accounting system, an activity-based responsibility accounting system adds process perspective in addition to the financial perspective. Hence, activity-based responsibility accounting system assigns responsibility to processes and both financial and non-financial measures are used. It is worth noting that an activity-based responsibility accounting model is an extension of the activity-based management which focusses on cost management via activity management.

One major limitation of the activity-based responsibility accounting system is the fact that it does not link efforts and initiatives to the organisation's overall mission and strategy. Thus, continuous improvement efforts are not done with an overall view; rather they are done in a fragmented manner and are often undirected. Thus, a strategic-based responsibility accounting system known as BSC was developed. The BSC translates an organisation's mission and strategy into operational objectives and measures on four perspectives. The BSC adds two more perspectives in addition to financial and process in the activity-based responsibility accounting system. These two perspectives are customer, and learning and growth. These two perspectives are consistent with the TQM philosophy which places great emphasis on customer, continuous improvement and employee empowerment.

BSC is not merely a performance measurement tool as it was intended to be at the inception. Rather, BSC is seen as a three-legged stool: a measurement system, a performance management system and a communication tool. It is a measurement system because it spells out the financial measures; it drives future economic performance; it measures on four perspectives and it uses KPIs to measure performance. BSC is a performance management system because

it formulates a new strategic direction. It also overcomes the vision barrier through the translation of strategy into operational objectives and measures. It cascades the scorecard to overcome the people barrier. Finally, BSC is a communication tool because it tells its story to all employees and cascades corporate strategy to strategic business units (SBUs).

An implementation of BSC requires an organisation to specify the mission and strategy and hence identify the objectives, performance measures and initiatives necessary to achieve those mission and strategy. It is also useful to formulate targets or benchmarks for each performance measure. Though Kaplan and Norton offer a sample template of BSC, they note that the BSC has to be tailored to each specific organisation. Each organisation is unique. More importantly, the performance measures (i.e. KPIs) that are included in the BSC of an organisation have to be driven by the organisation's strategy. Thus, a BSC is not simply a collection of financial and non-financial measures without clear connection with an organisation's strategy. For ease of monitoring, Kaplan and Norton recommend that the resulting performance measures should be between six to 20 to avoid lack of focus and confusion. The performance measures need to be understood and controlled by the concerned employees. BSC is developed on four perspectives, namely financial, customer, internal business process, and learning and growth. The three additional perspectives on top of the financial perspective are included because these factors are the drivers to a firm's financial results. Thus, the success in the other three perspectives will determine the success in the financial perspective.

The financial perspective is essentially the economic consequences of the actions taken in the other three perspectives. Essentially, the financial perspective attempts to answer the following question: How is success measured by our shareholders? Kaplan and Norton (1996) state that the financial measures that are chosen are determined by the stage of an organisation's product or service life-cycle, rapid growth,

sustain or harvest. Among the objectives of this perspective is to improve asset utilisation, to reduce unit cost and to develop new customers and market. The financial measures may include Return on Investment (ROI) or Economic Value Added (EVA), product cost per unit, and percentage of revenue from new sources. These are the measures that will increase the shareholders' wealth. For customer perspective, the following question may be posed: How do we create value for our customers? This perspective defines and identifies the customers and the market segment that the company chooses to operate. Essentially, customer value drives customer loyalty and customer retention. Customer value is the difference between realisation and sacrifice. Realisation is what a customer receives from the product or service and sacrifice is what is given up by the customer for the product or service. Among the objectives that fall under this perspective are to increase the market share, to increase customer acquisition, to increase customer retention and to increase customer satisfaction. Success in

this perspective will lead to better results in the financial perspective's objectives and measures.

The third perspective is internal business process. Processes are the means for creating customer and shareholder value and thus regarded as performance drivers. The question we might ask is: At which processes must we excel to satisfy our customers and shareholders? To answer this question, we may have objectives like to shorten the cycle time and to shorten the time to introduce new product. The associated measures may be the actual cycle time and the actual time taken to develop a new product to the market. The fourth perspective is learning and growth. The relevant question for this perspective is: How can we continually improve and create value? This perspective enables the organisation to accomplish the objectives in the other three perspectives. It addresses the people, system and organisational alignment that will drive improvement in the identified critical processes. The objectives of this perspective emphasise employee capabilities and skills, employee motivation, information system capabilities,

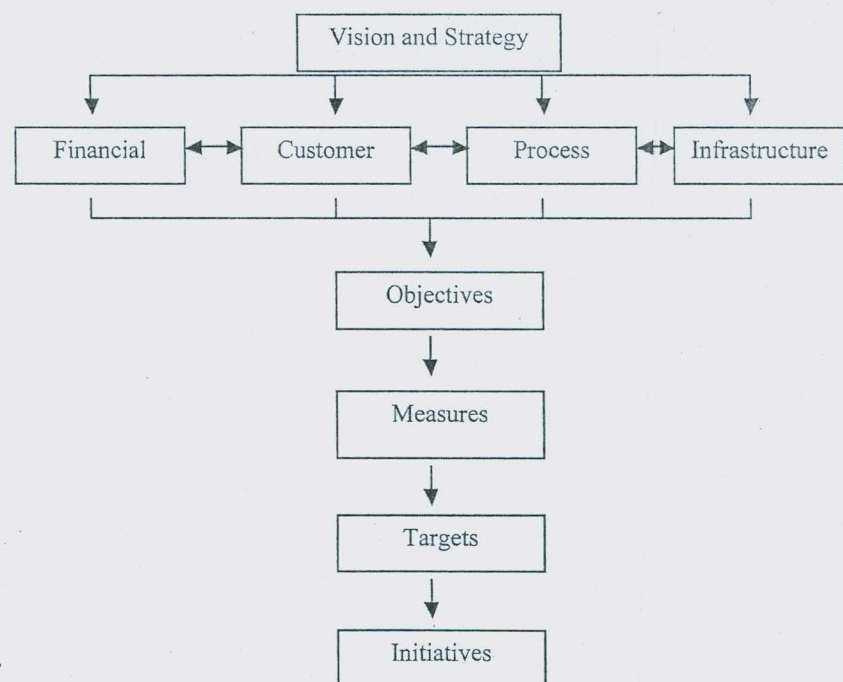


Figure 1: Strategy Translation

organisational culture and alignment. The associated performance measures are hours of training, suggestions per employee, percentage of customer-facing employees with online access to customer and product information, goal alignment and knowledge sharing.

Articulating Strategy via Strategy Map

Kaplan and Norton (1996) regard strategy as:

[C]hoosing the market and customer segments the business units intends to serve, identifying the critical internal business processes that the unit must excel at to deliver the value propositions to customers in the targeted market segments, and selecting the individual and organisational capabilities required for the internal, customer, and financial objectives. (p. 37)

In developing a BSC, the chosen strategy is stated in a set hypothesis about cause and effect, i.e. relationships, linking the objectives in all four perspectives with the aim of achieving the firm's stated goal. A series of if-then statements is stated, known as testable strategy. A testable strategy is a set of linked objectives aimed at achieving an overall goal. The purpose of the strategy map is to test the validity of the strategy and to better able to manage the objectives and the performance measures. A testable strategy is represented by a strategy map. Kaplan and Norton define a strategy map as "a logical comprehensive architecture for describing strategy. It provides the foundation for designing a Balanced Scorecard that is the cornerstone of a strategic management system." (p. 10). The strategy map will test the viability of a strategy.

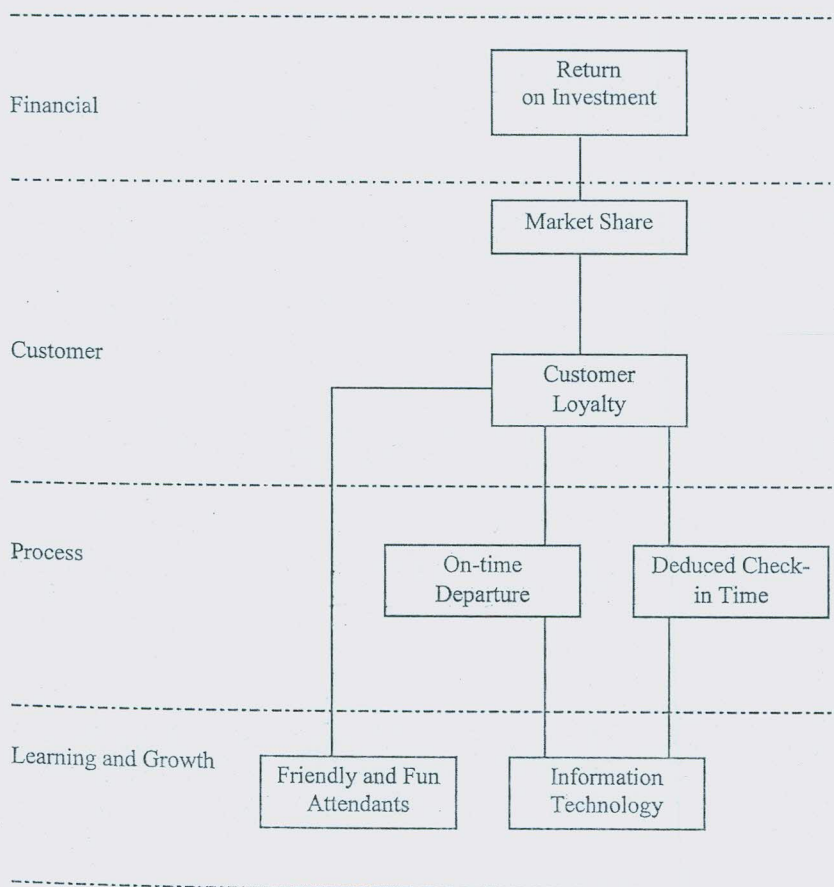


Figure 2: Strategy Map

Strategy translation is about specifying objectives, measures, targets and initiatives, as shown in Figure 1.

Referring to Figure 1, an organisation starts with the financial perspective. For instance, it may specify an objective of increasing revenue from new customers and markets. The performance measure could be percentage of revenue from new sources. The target may be set at 10%, i.e. 10% from the total revenue is from new markets. Next, the firm needs to specify the initiatives, i.e. "how" to achieve the financial objectives, the measure and target. The "how" is answered by specifying the other three perspectives, i.e. customer, process and infrastructure. Thus, the "how" will specify the customer segment, the business process and the internal capabilities that will ensure the accomplishment of the financial objective.

An effective BSC requires a balanced set of leading (performance drivers) and lagging measures (outcome measures). Performance drivers are the measures that help achieve the outcome measures. Performance drivers are indicators of "how" the outcomes are to be realised. These are the "enablers" and are found in the internal business process and learning and growth scorecards. The internal business process identifies the processes that are needed to meet the shareholders and customers expectations. The learning and growth perspective identifies avenues for enhancement of the employee skills capabilities. The outcome measures are found in the customer and financial perspectives. Outcome measures will reveal the success of the strategy and whether the desired economic consequences are materialised. For example, a low-cost airline might adopt a strategy of low fares and friendly cabin service. This strategy would then be translated into a set of objectives and performance measures on the four perspectives. First, the carrier would need to recruit friendly and fun flight attendants. It also needs to have an up-to-date information technology which enables online booking, handling flight schedules and fast check-in. These would lead to on-time departures and thus

happier passengers. Customer loyalty would be realised and thus lead to repeated use by the passengers. In the final analysis, higher revenue and higher profits would be achieved. Thus, the strategy map is shown in Figure 2.

If the strategy is stated in if-then statements, it would be as follows. If friendly and fun attendants are hired, customers would be entertained and they will become loyal to the airline. Improved information technology will lead to on-time departures and reduced check-in time. If on-time departure and check-in time are improved, customer loyalty will be attained. If customers are loyal, market share will improve and so does the return on investment (ROI).

The testable strategy ensures the validity of the strategy. This is because the performance measures are measurable and can be compared against the targets. If the targets are not met, two reasons might have contributed to the failure. First, it may be due to the implementation or due to invalid strategy. It may be that the failure to achieve the desired performance drivers is due to implementation problems, such as low training hours). However, it is possible that the desired performance drivers are achieved, but the outcomes are not achieved. This is due to invalid strategy.

Why is BSC Needed?

BSC functions like a map, telling a reader where he is and how far he is from the destination. A BSC would tell employees the objectives, the performance measures, the targets and the initiatives. This information will help employees achieving the organisation's goal. It is a powerful tool which translates an organisation's vision and strategy into operational objectives and performance measures. Thus, the current performance relative to the targets could be monitored continuously. Before BSC was introduced, an organisation's vision and strategy were not directly communicated and made aware to all employees at all levels.

Around the globe, many companies have adopted scorecard systems. Table 1 shows the

adoption rate of scorecard systems in forty-four countries from five continents, involving 382 respondents.

Table 1: Adoption of Scorecard Systems by Region*

Continents	Total Respondents	Percentage Using Scorecarding System
African (primarily South Africa)	19	68%
Asia (including the Middle East)	62	50%
Europe	137	39%
US and Canada	135	55%
South and Central America	28	79%
Total	382	51%

* Source: R. Lawson, W. Stratton and T. Hatch, "Scorecarding Goes Global: Companies around the World are deriving benefits from performance management tools", *Strategic Finance* (March 2006), pp. 35-41.

Even though the idea of BSC started in France and later in US, it appears from the findings in Table 1 that the percentage of companies using BSC in South and Central America is the highest of all continents. Lawson *et al.* (2006) reveal that respondents' top five reasons for adoption are: 1) need to keep track progress towards achieving organisational goals; 2) need to align employee behaviour with an organisation's strategic objectives; 3) need to communicate strategy to everyone in a clear and simple manner; 4) need to measure performance at different levels in an organisation; and 5) ability to measure people, project and strategies.

According to Chow *et al.* (1997), the advantages of BSC are:

- It puts strategy, structure, and vision at the centre of management focus.
- It keeps management focussed on the entire business process and helps ensure that actual current operating performance is in line with the long-term strategy and customer values.
- It maintains a balance between building long-range competitive abilities and recognising investors' attention to financial reports.
- Financial measures are viewed in the larger context of the companies' long-

range competitive strategies for creating future value through investment in customers, suppliers, employees, processes, technology, and innovation.

- It enhances the overall goals and objectives of a company.
- It allows management attention to focus on managing results from the perspective of customers, internal business processes, and learning and growth.

Implementing BSC requires top management support, employee's acceptance and sometimes organisational change. This is because it requires resources and to ensure its success, it should be integrated with the company's compensation system. However, it is easier said than done. According to Epstein and Manzoni (1997), companies trying to implement a Balanced Scorecard might encounter the following difficulties:

- Top management cannot articulate a concise and shared view of the company's strategy.
- Developing and maintaining a Balanced Scorecard can create a workload for many people.
- Top managers interested in implementing such a tool may encounter cynicism among their employees when the idea is introduced.
- Companies may face resistance motivated by a desire to protect turf or power base.
- The Balanced Scorecard highlights trade-offs and brings increased transparency, which can be threatening to some managers.
- Management must be consistent in its decision to widen its perspective from a narrow emphasis on financial measures. This can be difficult because managers must continually reinforce the broader view despite missing financial targets and the desire to revert to old and familiar ways of thinking.

Kaplan and Norton stress that BSC should not be seen as a control or a measurement tool, rather it should be a management tool. It should

Table 2: Generic Scorecard

Perspectives	Goals	Objectives	Performance Measures
Financial	Continuously improve financial performance	Decrease costs	Average unit costs.
		Increase sales growth	Growth rate in sales
		Increase market share	Company's market share
		Increase return on investment	Return on investment
Customer	Continuously improve customer satisfaction	Decrease lead time	Average lead time
		Increase on time delivery	Percentage of deliveries on time
		Reduce customer complaints	Number of customer complaints
Internal Business	Continuously improve business processes	Decrease cycle time	Average cycle time
		Increase quality	Number of defects and number of items reworked
		Increase productivity	Average output per employee
Innovation & Learning	Continuously develop and deliver new innovative products & services	Increase sales of new products and services	Percentage of sales obtained from new products & services
		Reduce development time	Average time from initial design to production

guide all employees towards a common goal. It must also be born in mind that BSC is not about a collection of objectives and performance measures, rather a BSC should be originated from an organisation's vision and strategy. A sample of generic goals, objectives and performance measures are shown in Table 2.

BSC is not only prepared at the organisational level, but it is useful to develop it at unit levels. Breaking down of the BSC at the lowest level of implementation will ensure the success of the overall BSC implementation. This will also ensure that the BSC is communicated to all levels of employees.

Background of Company

This study intends to explore the process involved in implementing BSC in a selected organisation which had successfully implemented BSC. The anonymity of the organisation is maintained for confidentiality purposes. It is a government agency but incorporated under the Companies Act of Malaysia. It is a non-profit organisation fully owned and funded by the Government. The operation of the organisation is unique as

it operates like a private company but subjected to government decision-making and authority. Basically, the company is responsible for the success of the government ICT projects and initiatives.

The idea of implementing BSC in the organisation originally came from the CEO of the company. He believed that by adopting the BSC, a higher level of efficiency is achieved and consequently the mission and vision of the company can be achieved and there is an increase in the value of the company. The initial process towards adopting BSC was started with the appointment of a consultation group. An experienced consultant was needed to help and advise them in developing a successful BSC programme. Later, a committee of BSC was also set up to oversee the successful planning and implementation of BSC.

The BSC Committee

Generally, the BSC committee is responsible to ensure smooth implementation of BSC in the company and its subsidiaries. The BSC Committee receives direct (face-to-face)

trainings from their appointed consultant and the project team also attends sessions conducted by the founder of BSC, i.e. Kaplan. They also constantly read up on the latest articles and books to keep them up to date with new developments on BSC. All these are to ensure they are fully equipped with the knowledge and understand the concept because later on they must disseminate the knowledge on BSC to the rest of the employees, especially the BSC Champion Committee, whose members receive some further/advanced courses. Each committee member, upon returning from training, is required to communicate and share the knowledge gained with their colleagues and employees in their respective departments and subsidiaries.

As shown in the chart below, the BSC Committee is led by the senior management, followed by the BSC Champion Committee and the project team.



Figure 3: The BSC Committee

The senior management members constitute all the CEO, Senior and Vice Presidents and the managers of the company. This indicates the direct involvement and commitment of the top management towards BSC project. They are constantly being informed on the progress of the BSC implementation at meetings with the BSC committee which are held every quarterly. Next is the BSC Champion Committee which consists of representatives from each department in the company and its subsidiaries. Participation from all subsidiaries is important because the BSC project is not only limited to the company but it also includes the subsidiaries. This is to ensure that all parties related to the company are taking part in the realisation of visions and missions. Each member of the BSC Champion Committee has to submit their BSC progress report to the Senior Manager. Lastly, the project

team is responsible for monitoring of the submission of scorecards from departments, analysing of new strategy documents and converting of the data to scorecard, submitting of quarterly BSC reports to Senior Management, assisting Department BSC Champions with the implementation of scorecards at department level, proactively scanning the market for the latest information related to BSC and presenting of recommendations for the improvement of BSC.

Articulation of BSC Project

BSC Strategic Formulation

With rigorous training to strengthen knowledge of BSC, the committee has acquired the understanding of the core concepts of BSC. Their first and foremost role was to formulate strategies that could lead them to the achievement of their company's mission and vision.

In developing BSC, the objectives and measures chosen are the ones that support and lead to the achievement of the organisation missions and visions. Only then will the organisation be able to link all measures in cause and effect relationships. The company's BSC template consists of four perspectives, namely shareholder, internal business process, learning and growth, and financial perspective. Each perspective is inter-related and aims at realising the company's vision and mission.

The shareholder perspective is the most important. As the company is a government-linked company with no profit orientation, their shareholder is the government itself. Their responsibility is to ensure that all government expectations are met. Generally, the company is seen as an agent of the government to accelerate the growth of ICT industry. Therefore, several objectives have been set to achieve successful shareholder perspective. The main objective is that the company has to promote more new players or entrepreneurs into the ICT industry. Apart from that, they have to ensure the usage of ICT products and services among the locals to accelerate.

Table 3: Company ABC's Balanced Scorecard

	Strategic Objectives	Measurements
* SHAREHOLDER PERSPECTIVES	ST1 Accelerate growth of Company ABC as (deleted) and review incentives to encourage R&D and attract greater MNC presence	<ul style="list-style-type: none"> • Total number of jobs created by (deleted) companies • Total amount of expected (deleted) revenue and total amount of (deleted) sales • Growth in R&D spending/ expenditure amount and increase in total number of new registered patents
	ST2 Roll out of the Company ABC to the rest of the country and enhancing local (deleted) industry	<ul style="list-style-type: none"> • Number of (deleted) established and number of policy papers on Flagship Applications developed and submitted • Growth in number of (deleted) companies including (deleted) companies
	ST3 Increase usage and adoption of innovative domestic (deleted) products and services	<ul style="list-style-type: none"> • Percentage growth in usage and adoption of local (deleted) products and services
INTERNAL BUSINESS PROCESS PERSPECTIVE	IBP1 Enhance customer relationships	
	IBP2 Ensure operational excellence	<ul style="list-style-type: none"> • Customer Satisfaction Index rating
	IBP3 Develop and maintain a strong brand for the Company ABC locally & as global (deleted) hub and Company ABC as an effective driver of the (deleted)	
LEARNING & GROWTH PERSPECTIVE	LG1 Information Capital Development	
	LG2 Talent Capital Development	<ul style="list-style-type: none"> • Employee Satisfaction Index rating
	LG3 Organisation Capital Development	
FINANCIAL PERSPECTIVE	F1 Deliver Value for Money	<ul style="list-style-type: none"> • Utilisation of RMK8 budget
	F2 Manage Funds Prudently	<ul style="list-style-type: none"> • Cost Saving on Operating Expenditure

* The shareholder perspective is combined with customer perspective. Their shareholder is the government while their customers are the people of Malaysia (i.e. 'rakyat' Malaysia).

Successful achievement of shareholder perspective must be supported by a strong and excellent operation system of the company. The BSC committee has finalised a few objectives for internal business process perspective to ensure smooth operation of the company and consequently delivery of best services to their shareholder. The objectives mainly concentrate on ensuring operational excellence and at the same time are able to enhance customer relationships.

The company recognises that all plans could not be carried out without support from employees from all levels. Therefore, the importance of learning and growth perspective is to help the employees in term of human capital development. This includes providing courses that aim at strengthening their knowledge, talent and skills.

Last but not least, the financial perspective is important as it ensures efficient utilisation of funds by the organisation. Although the money is granted by the government, the company believes that planning the financial resources wisely will smoothen the internal operations, trainings and activities. Therefore, the financial perspective has objectives that aim to deliver value for money and manages fund prudently. Table 3 summarises that BSC of the company. For the purpose of anonymity, words that could identify the company and the industry in which it operates are deleted.

Communicating the BSC Concept

Having laid out the details of the company's BSC strategies, their next role was to disseminate the information to each employee. The success of BSC comes with the involvement and interaction from all employees at all levels. As such, strategy of the company must be communicated and linked to departmental and individual objectives. A broad-based communication programme is suggested to inform all employees pertaining to the company's strategy (Kaplan & Norton, 1996). The BSC committee adopted a few communication plans to ensure that the employees are well aware of the company's

shift towards a new performance management regime.

First, the committee created BSC awareness programmes among the employees through various education programmes. Under the education programmes, all employees are given face-to-face training on the BSC basic concepts, classes, and are given manuals and materials on BSC. The training is conducted to each department to ensure effectiveness as each department may be unique. Everyone was included in the briefing, even new staff. The training enabled the committee to receive immediate feedbacks from the employees regarding the BSC concepts. At the end of each training programme, the employees were required to construct their own BSC at individual and organisational levels under the supervision of their respective manager.

The communications between the BSC committee with the employees are also realised through the company's intranet. The committee created a BSC portal which is useful for the employees' reference. Any latest updates on BSC would be uploaded in BSC portal. Additionally, they can interact on the matters concerning BSC with the BSC committee via email or telephone discussions. All these efforts are put in place to ensure all employees understand and get involved as their performance would be evaluated based on the achievement of the individual BSC targets.

Development of BSC at Department and Individual Levels

Each of the departments constructed their own department and individual scorecards with targets to be achieved. Targets are reviewed at the BSC committee meetings held once in every quarter. Target review is done at all levels starting from the company's targets to department's targets and individual's targets. The achievement of each target is then analysed whether it has met or is above the target performance. In the case of poor attainment of the targets, further discussion is held to assess matters arising and to identify remedial actions. Any modification of the targets

will need to be agreed by all members of BSC Committee. In other words, all members accept targets that are reasonable and attainable in given time. If there is any problem pertaining to BSC implementation, then the member can forward it via emails or during the meetings. All members would continue to receive BSC training from time-to-time according to needs. The elements in BSC are also being revised to ensure that the objectives and measures support the company's strategy. A successful BSC programme should be a change project, not a 'metrics' project (Kaplan & Norton, 2001b).

The realisation of BSC is profound when the committee linked the target achievement by each individual and department with incentive compensation. According to Kaplan and Norton (2001a), most organisations link incentive compensation to the BSC, typically after implementing the scorecard for about a year. The company capitalises on the uses of their BSC by incorporating them in the performance management system. As each of the employees would have their individual scorecard to take care of, their performance is easily monitored vis-à-vis their targets. Each individual targets are analysed whether they have been achieved excellently (i.e. exceeded the targets) or marginally (i.e. lower than the targets) and points are given accordingly. The higher the points the better it is! However, the assessment of performance is not based solely on the achievement of individual BSC targets. It is combined with traditional form of assessment that is competency assessment. As stressed by Brian Baker at Mobil (as quoted by Kaplan & Norton, 2001a), "we could not have gotten the same focus on the scorecard if we didn't have the link to pay".

Benefits and Limitations of Balanced Scorecard

The Human Resources Senior Manager of the company stressed that BSC has assisted them in clarifying what they should in relation to the company objectives. It keeps them on track and ensures they are "doing the right things at the right time" in order to achieve

the objectives. The role of BSC committee is very important to ensure successful adoption of BSC. They are involved in all stages of the project starting from setting up the company's strategies, communicating it to all employees, monitoring the BSC targets at each individual and department levels and handling issues that arise during the implementation process.

Throughout the implementation of BSC, several limitations were faced by the company. The first limitation mentioned was finance. According to the manager, the BSC Committee plans to computerise the BSC. However, the estimated price of the software was about RM300,000, which is far too expensive for a government-funded organisation. The computerised or automated BSC or "open reporting" allows everyone in the company to view all matters on BSC programme including performance results.

Another limitation being identified was time. All departments are involved in various national level projects (notwithstanding whether the project is a core deliverable of the department or not) and thus all employees are expected to be equipped with multi-skilled and multi-tasking. It took too much time to complete the BSC processes. Broad participation in the BSC project requires substantial amount of time. Kaplan and Norton (1996) do acknowledge that in a large organisation, accumulating sufficient data to document significant correlations and causation among BSC measures can be time consuming— it may take months or even years.

Finally, it is not an easy task to build a new culture of performance-management system. As the concept is new to almost everybody, the level of acceptance towards BSC predictably varies among employees based on their anticipation of the project. Some employees are hesitant because their performance is now directly measured and it now relates to performance plan. Failing to meet the targets would result in no increment or performance-based bonus for them. However, the manager of the company believes that the employee is a hardworking type, they will readily accept this new concept as it will provide

rewards. Non-performers, on the other hand, may not readily accept the new concept and method of performance management system.

Conclusion

BSC translates a company's visions and strategies into observable objectives and measures. Thus, it serves as a navigator to ensure the missions and visions are achieved. The strength of BSC is its ability to balance the elements of both financial/non-financial performance measurements and lead/lag measures. Financial measures or lag measures are important but are not sufficient in ensuring a company's long-term survival and long-term profitability. BSC is suitable not only for profit-seeking organisations, but also for nonprofit-seeking organisations such as government-link bodies/agencies and service providers.

The BSC concept is utilised to help the company to achieve their visions and missions and measures their performance accordingly. Thus, BSC is not simply a collection of a company's measures (or KPIs), rather they are inter-related based on the firm's strategy and objectives. From the broader point of view, BSC serves not only as performance-measurement system, rather it works as a communication tool and performance-management system. It should be noted that BSC embeds the concept of TQM (which focusses on customers) and ABC (which emphasises on processes).

Based on a case study involving a government agency, the company in this study has taken serious initiatives to implement BSC. To ensure the success of the BSC, the company spent a substantial amount of resources to train its staffs, to create awareness, to revisit its strategies, to develop scorecards at company, department and individual levels. The setting up of the BSC steering committee, the running of education programmes and purchase BSC software are indicative of the company's commitment in the project. They also have expanded the application of BSC by incorporating it into performance-management plan. The BSC has assisted them in clarifying what they should do in relation to

the company objectives and helped to align the individual and department effort to the overall corporate mission and vision. Despite some limitations, it is just a matter of time before they can reap the benefits of BSC.

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